

**Testimony on the Farm Security and Rural Investment Act of 2002  
Before the House Agriculture Subcommittee on  
General Farm Commodities and Risk Management**

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Good morning, Mr. Chairman, I am Woody Anderson, a dry-land cotton and grain producer from Colorado City, Texas. Colorado City is located in the Rolling Plains of Texas near Abilene. I am a proud constituent of Congressman Charlie Stenholm of the 17th District, and I am here today representing the National Cotton Council and serve as its Chairman.

The National Cotton Council is the central organization of the United States cotton industry. Its members include producers, ginner, oilseed crushers, merchants, cooperatives, warehousemen, and textile manufacturers. While a majority of the industry is concentrated in 17 cotton producing states, stretching from the Carolinas to California, the downstream manufacturers of cotton apparel and home-furnishings are located in virtually every state.

Mr. Chairman, as we approach the half-way point of the 2002 farm bill, we thank you for holding this hearing to review the performance of the programs covered by this important legislation. Also, we applaud the members of the House Agriculture Committee for developing a visionary farm bill that meets the needs of today's farmers in a fiscally responsible manner while satisfying our international trade commitments. Committee members worked diligently within budget constraints to develop a bill that was not only balanced across commodities, but also balanced production agriculture with the needs of conservation and nutrition programs.

The Council strongly supported its passage, and we are pleased to be able to say that the farm bill is a success. The legislation remains vital to the structure and stability of the U.S. cotton industry and U.S. agriculture as a whole.

*Budget Outlays Well Below Expectations*

It is important to correct a misconception propagated by the popular press. Contrary to what many claim, the farm bill is not a lavish handout to farmers. In fact, it has become a very responsible entitlement with an enviable track record on spending. To date, budget outlays are much lower than projected by the Congressional Budget Office (CBO) during the farm bill debate. For the FY02-04 period, total spending will be approximately \$17 billion less than originally projected. The counter-cyclical payment provisions of the farm bill assure that spending will decline as market prices recover. As Congress addresses the budget deficit in the future, we strongly encourage you to take into consideration the

responsible track record of the 2002 farm bill and not allow agriculture to be penalized by its previously achieved savings.

#### *An Effective Financial Safety Net That Doesn't Distort Plantings*

The decoupled direct and counter-cyclical payments provide an effective financial safety net with minimal impacts on overall production and prices. Counter-cyclical payments have addressed one of the major shortcomings of the previous farm bill by providing additional support in times of low prices. In the case of cotton, the first two crops covered by this bill provide dramatic examples of the performance of the counter-cyclical payments. Low prices for the 2002 crop put the counter-cyclical payment at its maximum of 13.73 cents. As a side note, we commend the Secretary for expediting the counter-cyclical payments for the '02 crop when it was obvious that the maximum rate would be used. As prices strengthened for the '03 marketing year, the counter-cyclical payment has become substantially smaller. Although, final prices will not be known until October, NCC economists expect a total payment between 3 and 4 cents.

Also, the decoupled nature of support allows for market signals to play a prominent role in acreage decisions. The planting flexibility that began with the FAIR Act and continues under the current farm bill remains a positive with growers. In general, farmers can adjust their planting decisions based on economic signals and agronomic goals without jeopardizing the basis for program support. Over the past few years, relative market price expectations have been the single largest factor determining year-to-year changes in U.S. cotton acreage.

The current planting season provides further evidence of the flexibility afforded under this farm bill. For the first time since the late 1990's, we are in a situation where several commodities are actively competing for available acreage. Our growers continually tell us that they are responding to market signals and adjusting their crop mix based on relative prices. For example, in the Mississippi Delta, soybeans have pulled some acreage out of cotton as the cotton-to-soybean price ratio fell to its lowest level since the 1980's.

#### *Payment Limits*

It is important to remind the Committee that the Council has always opposed payment limits and worked in the farm bill debate to keep any restrictions on benefit eligibility as reasonable as possible. Due to the contentious nature of payment limits, the '02 farm bill established a 10-member commission to thoroughly evaluate the implications of payment limits. As you know, the commission has completed its work, and the Council commends its diligent efforts and dedication to their task. Along with other industry groups, our President and CEO, Dr. Mark Lange, had the opportunity to provide testimony to the panel. The NCC agrees with the conclusion of the panel's report that more restrictive payment limits would have a negative effect on US agriculture and cause instability in that sector's production, financing and marketing segments. We urge the Committee to heed this finding and reject efforts by certain members of Congress to push for more restrictive payment limits or eligibility requirements.

### *Base and Yield Updating*

One of the key features of the current farm bill was the ability to update base acreages and yields for the purpose of determining decoupled payments. This has been an important feature for our members because it gave growers the opportunity for base acreage to more accurately reflect recent planting history. Obviously, the process of base and yield updates was a significant and complex undertaking for many growers, particularly in the instances where multiple landlords were involved. We commend USDA on its diligent efforts to assist growers and for providing decisions tools to facilitate the process.

### *Conservation Programs*

During the debate of the '02 legislation, an equitable balance was achieved between funding for commodity, conservation and nutrition programs. The bill authorized a 77% increase in spending on conservation programs and introduced new programs such as the Conservation Security Program (CSP). We support maintaining this balance to the extent possible.

Regarding the CSP, the Council has commended the Natural Resources and Conservation Service (NRCS) for developing rules for implementing a new, far-reaching and complicated conservation program on a nation-wide basis. We also recognize that this task was made even more difficult due to a capped entitlement in the initial year of implementation and with unknown and changing funding levels. However, because of the complexity of the regulation and the limited areas of participation, we are concerned that the initial reaction by producers to the CSP will be negative. Once the final rule is published, we will work closely with producers and state offices in the selected watersheds to ensure that the program is workable to eligible growers.

We also support resolving the issue of funding for adequate technical support for all conservation programs. Resolution of this issue is critical to effective implementation of the CSP, EQIP and other important programs.

### *Trade Programs*

The Market Access Program (MAP) and the Foreign Market Development (FMD) Program continue to be critical components of an effective cotton trade policy. The combined investment of private and public funds, coupled with industry marketing expertise, results in innovative, forward-looking programs that leverage money into high impact campaigns and promotional efforts.

Unfortunately, funding under the FMD program, in particular, has not kept pace in the last two years and needs to be strengthened. We also would encourage the Committee to continue its support for a MAP program funded at its 1992 level of \$200 million.

We must continue to support and fully fund crucial U.S. export programs if we are to fairly compete effectively in today's global marketplace.

### *Maintaining the Farm Bill*

Since its passage, the farm bill has come under continual attack from opponents, both in the U.S. and from other countries. We've all seen the gross exaggerations and mischaracterizations across editorial pages. Most recently, a new round of criticism has been leveled on the cotton program, in particular, and the farm bill, in general, based on press reports regarding the interim decision issued by a WTO panel on the Brazil/US cotton dispute.

If press reports are accurate, we find the Panel's initial rulings very concerning. However, we are also encouraged by the strong statements of support by Chairman Goodlatte and Ranking Member Stenholm along with Senate Agriculture Committee Chairman Cochran and the Administration regarding the current farm bill. We share this Committee's view that the cotton program complies with our commitments under the WTO and will continue to support the efforts of U.S. government officials in defense of the program. We also realize that this is a marathon and not a sprint, and several steps remain before a final decision will be rendered.

While we strongly disagree with this ruling as it has been reported, we fundamentally understand the value of the WTO and the agreements that brought it to life. We will fight this decision and its ramifications, but we will also work to ensure that the U.S. cotton program complies with WTO disciplines. A rational, rules-based international trading system is superior to the alternative. We will do our part, working with this Committee and the Administration, to maintain an effective U.S. cotton program that complies with WTO rules.

In closing, we urge Congress to preserve the current farm bill intact for the remainder of its term. This will provide stability in production, financing and marketing and allow producers to react to market signals.

We appreciate the opportunity to provide these comments.